

MISC (MISC MK)

4Q25: LNG Bottoms Out; Capital Management Next Milestone

Highlights

- 2025 core profit is on track, driven by strong petroleum and recovery in offshore earnings (FPSO Mero-3).** Both divisions offset weakness in LNG, which we believe the balance sheet adjustments (ie impairments) to reflect the market value of the legacy steam turbine LNGC is at the tail-end at this juncture. The eight idle LNGC fleets in 4Q25 included vessels previously on spot charters like Seri Balhaf and Seri Balqis. While the next wave of charter expiries of steam turbine LNGCs will happen from 2027 onwards, we foresee that LNG earnings have bottomed, at least for the 2026 horizon. The recent LNGC wins for Petronas imply that MISC continues to benefit from incremental opportunities. Capital management will be equally important, and a planned 50% divestment of FPSO Mero-3 must materialise, in our view. Assuming this scenario, we maintain BUY with a target price of RM8.70.

4Q25 Group Results

Year to 31 Dec	4Q25 (RMm)	qoq % chg	yoy % chg	Ytd 2025 (RMm)	yoy % chg	Comments
Revenue	2,811.5	(15.0)	0.5	11,146.1	(15.8)	
-LNG	849.5	0.0	64.3	2,095.0	(29.9)	Owned LNGC: 31 (+3 qoq; 2 disposed)
-Petroleum	1,211.3	0.0	(5.3)	5,169.7	2.5	Spot fleet ratio at 20-25% (2024: 10%)
-Offshore, MMHE	1,171.0	0.0	18.4	3,907.3	(24.5)	Full quarter of FPSO Mero-3 operation phase
EBIT	507.6	34.7	(22.7)	2,776.5	7.0	
-LNG	0.5	(99.7)	(99.7)	692.4	(33.9)	Term/Spot/Idle LNGC: 23/na/8
-Petroleum	391.6	11.3	11.9	1,412.7	(4.7)	Higher average rates
-Offshore, MMHE	232.5	(314.7)	0.9	981.0	409.6	
Impairment losses	(356.4)	(51.5)	615.7	(552.5)	(30.0)	US\$50m impairment on Seri Balhaf, Balqis
Finance cost	(97.5)	(40.8)	(39.8)	(579.6)	(19.4)	4Q25 Exceptional items (EI) were:
Associates	(9.6)	(116.2)	na	29.0	(70.1)	- US\$84m LNGC impairment
Pre-tax profit	46.2	(110.6)	(92.2)	1,861.9	45.1	- US\$75m insurance gain of FSO Benchamas
Income tax	(42.1)	Na	(2.3)	(123.9)	Na	- RM216m receivables impairment
Net profit	(11.8)	(97.4)	na	1,700.1	42.4	- US\$15m (RM65m) inventory write off
Core profit	660.9	(8.3)	43.2	2,367.5	1.2	- US\$30m (RM131m) disposal gain

Source: MISC, Bloomberg, UOB Kay Hian

Analysis

- 2025 core profit in line and met 70%/72% of our/consensus forecasts.** Core profits were fuelled by the resilient crude tanker fleet from the petroleum segment which captured better rates in 4Q25, and the offshore segment. Management commented that the offshore segment demonstrated the best improvement metrics amongst the four core divisions, largely led by a full quarter showing of FPSO-Mero 3's operational phase. In MISC's slides, the gas/LNGC division reported a US\$96m LAT in 4Q25, which we believe reflects the tail-end of balance sheet adjustments of its legacy LNG fleet. This included US\$50m impairment of LNG Seri Balhaf and Seri Balqis, US\$34m impairment on the rest of the expiring LNGC fleet to reflect an approximately 30% decline in market values, and RM65m (US\$15m) in inventory write-offs.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	1,215	1,360	829	750	714
EBITDA	360	579	436	371	345
Operating profit	157	334	232	152	124
Net profit (rep./act.)	99	208	180	119	101
Net profit (adj.)	82	205	180	119	101
EPS	1.0	2.5	2.2	1.4	1.2
PE	24.1	9.6	11.0	16.6	19.6
P/B	0.8	0.8	0.8	0.8	0.9
EV/EBITDA	7.6	4.2	5.2	6.1	6.7
Dividend yield	1.0	5.2	10.2	12.8	12.8
Net margin	8.2	15.3	15.6	11.5	10.4
Net debt/(cash) to equity	9.1	n.m	n.m	n.m	n.m
Interest cover	10.0	8.4	225.0	n.m	n.m
ROE	4.2	8.6	5.4	3.7	3.3
Consensus net profit	-	-	164	145	153
UOBKH/Consensus (x)	-	-	0.79	0.59	0.49

Source: MISC, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM8.20
Target Price	RM8.70
Upside	+6.1%

Analyst(s)

Kong Ho Meng

homeng@uobkayhian.com

+603 2147 1987

Stock Data

GICS Sector	IndustrialsE
Bloomberg ticker	MISC MKD
Shares issued (m)	4,463.75
Market cap (RMm)	35,710.1
Market cap (US\$m)	8,502.2
3-mth avg daily t'over (US\$m)	5.87

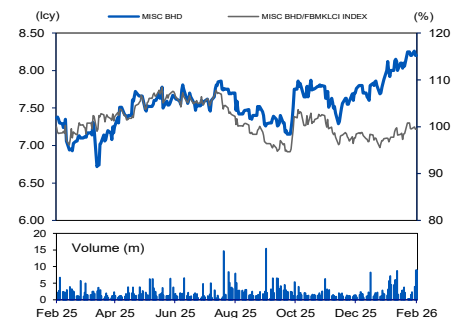
Price Performance (%)

52-week high/low				RM8.33/RM6.50
1mth	3mth	6mth	1yr	YTD
1.5	3.9	3.9	8.6	2.6

Major Shareholders

	%
Petroleum Nasional Bhd	51.1
Employees Provident Fund	16.0

Price Chart



Source: Bloomberg

Company Description

Shipping company. It employs finance lease (FL) accounting for assets in which it has long-term charter contracts, especially Liquefied Natural Gas Carriers (LNGC) and Very Large Ethane Carriers (VLEC). Within its petroleum fleet, it operates Very Large Crude Carriers (VLCC), mid-sized tankers, and Dynamic Positioning Shuttle Tankers (DPST). The offshore division operates Floating, Production, Storage and Offloading (FPSO) vessels, including the prominent FPSO Marechal Duque de Caxias (Mero-3). It is also the parent company of Malaysia Marine Heavy Engineering (MMHE).

- **There were eight idle LNGCs for 4Q25**, as opposed to seven LNGCs that were laid up and one LNGC on spot charter in 3Q25. Even though MISC successfully disposed LNG Puteri Delima and Puteri Nilam in Oct 25, the net increase in idle LNGCs included the Seri Balqis, Seri Balhaf and likely the Seri Anggun. All three LNGCs are available for spot charters based on MISC's website. The US\$50m impairment on the Yemen LNGC changes the Value-In-Use to the market value of similar LNGCs, even though the Yemen time charter contracts are not fully terminated per se. In our view, aside from the geopolitical uncertainties in Yemen, this likely reflects another consideration that both LNGCs – which are also on steam turbine technologies – may not return to Yemen for charter resumption.
- **No more LNGC expiries until 2027**. As highlighted earlier, the next batch of expiries will involve eight legacy LNGCs with steam turbine technologies, but they will only happen from Dec 26 onwards. Assuming no early termination, we do not foresee major earnings/impairment downside for the gas segment. MISC has allocated RM135m of assets held for sale during the quarter, which we believe represents three LNGCs, ie the Puteri Firus Satu, Puteri Mutiara Satu, and Puteri Zamrud Satu are out in the market for disposal or demolition. Although the sale will take time, throughout 2026 we expect the idle LNGC fleet to decline, and the JV earnings to gradually ramp up. The seven Qatar JV LNGCs are already delivered and are now undergoing earnings ramp-up until the projects reach breakeven vs the initial costs and depreciation.
- **FPSO Mero-3 performing well, but 50% planned divestment is crucial**. 4Q25 was the first full quarter with FPSO Mero-3 fully transitioned into its operational phase (as the FPSO had a ramp-up period after first oil). Further, we understand the FPSO has been producing above its nameplate capacity at times. MISC previously guided that a 50% divestment of the US\$2b FPSO is on the cards, especially once it achieves stable operations after first oil. We view this is necessary for MISC to fund the construction of new FPSOs like Kelidang and PNG, as well as the three new LNGCs for Petronas. We note that RM13b of its loans are in US dollars, relative to its RM53b assets.

Valuation/Recommendation

- **Maintain BUY, with an SOTP target price of RM8.70 implying 14x 2026F PE (inline with average 5-year PE band)**. We advise accumulating on lower opportunity as MISC weathers its weak near-term LNG outlook (we retain the LNG DCF discount of 25% by 2028), which will be rebalanced by early deliveries of long-term charters. Moreover, MISC demonstrated its ability to replenish contracts in all three segments, hence justifying its ambitious MISC2030 cash flow growth targets.

Earnings Revision/Risk

- **We retain our earnings forecasts.**

SOTP Target Price		
Segments	Valuation	RM/share
LNG	25% discount on DCF	1.76
Petroleum	1.4x P/B	3.62
MMHE (66.5%)	RM0.50 target price	0.12
Gumusut	1x (no DCF discount)	1.74
Kikeh	1x P/B	0.23
FPSO Mero 3	JV DCF, lesser 10% discount	0.48
Other offshore	0.9x P/B	0.75
(-) Net debt	LNG (RM5b); others RM4b	-1.24
(+) New contracts	Potential contracts; FPSO and LNG	1.25
	14x 2026F PE	8.70

Source: UOB Kay Hian Estimates

PAT Segmental Breakdown

US\$m	4Q25	3Q25	4Q24
	5	131	121
LNG/ Gas	(96)	12	28
Petroleum	81	28	71
Offshore	16	26	(19)
MMHE	12	7	16

*Note: Has US\$30m disposal gain
Source: MISC

LNGC And Vessel Deliveries

Year	As of 4Q25	As of 3Q25
2025	na	3
2026	8	8
2027*	4	4
2028	2 VLEC	2 VLEC
	12 LNGC + 2 VLEC	15 LNGC + 2 VLEC

*Note: 2 Aframax (for Petroleum division) for 2027 delivery
Source: MISC

QatarEnergy LNGC (QLNGC*) Delivered

Name	Delivery	Manager	Registered owner
Al Tuwar	May 25	NYK	Oasis LNG No.8 Pte Ltd
Al Mas'Habiyah	July 25	CLNG	Oasis LNG No.9 Pte. Ltd
Fat'H Al Khair	Aug 25	CLNG	Oasis LNG No.10 Pte Ltd
Al Zuwair	Aug 25	NYK	Oasis LNG No.1 Pte Ltd
Mihzem	Oct 25	MISC	Oasis LNG No.11 Pte Ltd
Idd Al Shargi	Oct 25	MISC	Oasis LNG No 12 Pte Ltd
Sharq	Dec 25	K-Line	Oasis LNG No 2 Pte Ltd
Shr'aouh	Jan 26	NYK	Oasis LNG No 3 Pte Ltd

*Note: Part of the 12 LNGC under a JV of NYK, K-Line, CLNG and MISC
Source: GARD

8 More Potential LNGC Expiries

LNGC	Year built	Expiry
Puteri Zamrud	1996	Dec 26
Aman Sendai*	1997	Jan 28
Seri Alam	2005	Sep 25 (old), Mar 28
Seri Ayu	2007	Oct 37 (old), 2027
Seri Amanah	2006	Apr 26 (old), Mar 28
Seri Angkasa	2006	Jan 37 (old), 2027
Seri Begawan	2007	Apr 38 (old), 2028
Seri Bijaksana	2008	Oct 27

*Note: Aman Sendai is owned by Asia LNG Transport SB (ALT), a JV with Nippon Yusen. Despite owning 49% stake, MISC deems it as a subsidiary. ALT reported losses save for 2018.

** The TC for Seri Ayu, Seri Angkasa and Seri Begawan was terminated and early, and the vessels will be redelivered on the 20th year anniversary of their respective time charters in 2027/ 2028. Seri Alam and Seri Amanah had new TC extended until Mar 28.

Source: MISC

Environmental, Social, Governance (ESG) Updates

Environmental

- **Carbon (CO2) reduction**. Adding new vessels with LNG-dual/ ammonia fuel to meet IMO aspirations (50% greenhouse gas & 70% CO2 reduction by 2050)
- **Promoting circular economy via green ship recycling**. Aims to avoid wastage while disposing of aged vessels that do not meet the carbon reduction criteria.
- **Safety (HSE)**. Lost Time Injury Frequency (LTIF) improved to 0.18 (AET: 0.07).

Social

- **Diversity**. >20 nationalities, >40% female proportion among onshore staff.
- **Digitalisation/ R&D**. Invested RM202m in 2020 to improve employee safety, productivity, maritime supply chain and compliance

Governance

- Achieved 5/5 rating (FTSE4Good) for governance & supply chain management.

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	13,238	16,240	13,667	15,050
EBITDA	4,202	4,810	5,360	5,977
Deprec. & amort.	1,609	1,782	1,950	2,117
EBIT	2,594	3,028	3,410	3,860
Associate contributions	97	400	334	352
Net interest income/(expense)	(719)	(682)	(703)	(730)
Pre-tax profit	1,284	2,746	3,041	3,482
Tax	(50)	(58)	(64)	(73)
Minorities	(40)	(273)	(280)	(276)
Net profit	1,194	2,415	2,697	3,133
Net profit (adj.)	2,340	2,415	2,697	3,133

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	23,461	25,771	28,081	30,391
Other LT assets	24,115	21,329	21,312	21,068
Cash/ST investment	6,677	6,793	6,252	6,320
Other current assets	6,182	7,959	6,632	7,299
Total assets	60,435	61,852	62,277	65,078
ST debt	3,333	3,080	3,080	3,080
Other current liabilities	5,742	5,715	4,154	4,536
LT debt	12,161	12,777	13,393	14,009
Other LT liabilities	885	885	885	885
Shareholders' equity	37,604	38,412	39,503	41,029
Minority interest	709	983	1,262	1,539
Total liabilities & equity	60,435	61,852	62,277	65,078

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	4,277	4,753	5,296	5,904
Pre-tax profit	1,284	2,746	3,041	3,482
Tax	74	(58)	(64)	(73)
Other operating cashflows	2,919	2,064	2,319	2,495
Investing	(1,192)	(2,627)	(3,827)	(3,827)
Capex (growth)	(1,985)	(4,620)	(4,620)	(4,620)
Others	793	1,993	793	793
Financing	(4,166)	(2,011)	(2,011)	(2,011)
Others/interest paid	(4,166)	(2,011)	(2,011)	(2,011)
Net cash inflow (outflow)	(1,080)	115	(542)	67
Beginning cash & cash equivalent	7,732	6,677	6,793	6,252
Changes due to forex impact	25	1	1	1
Ending cash & cash equivalent	6,677	6,793	6,252	6,320

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	31.8	29.6	39.2	39.7
Pre-tax margin	9.7	16.9	22.2	23.1
Net margin	9.0	14.9	19.7	20.8
ROA	2.0	4.1	4.6	5.2
ROE	3.2	6.3	7.0	7.9
Growth				
Turnover	3 w-8	69.2	42.4	56.8
EBITDA	0.5	15.0	28.1	42.9
Pre-tax profit	(54.4)	(2.4)	8.1	23.8
Net profit	(53.8)	(6.4)	4.5	21.4
Net profit (adj.)	(6.3)	3.2	11.7	16.1
EPS	20.2	24.0	38.5	60.8
Leverage				
Debt to total capital	40.4	40.2	40.4	40.2
Debt to equity	41.2	41.3	41.7	41.6
Net debt/(cash) to equity	23.4	23.6	25.9	26.2
Interest cover	5.8	7.0	7.6	8.2

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